



Dave Yost • Auditor of State

**FAMILY AND CHILDREN FIRST COUNCIL
MORGAN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Family and Children First Council
Morgan County
900 South Riverside Drive
McConnelsville, Ohio 43756

To the Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Family and Children First Council, Morgan County, Ohio (the Council), as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Council's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Council prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Council does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis of Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Council as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Family and Children First Council, Morgan County, Ohio, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2016, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

January 21, 2016

**FAMILY AND CHILDREN FIRST COUNCIL
MORGAN COUNTY, OHIO**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Intergovernmental	\$34,633	\$32,402	\$67,035
<i>Total Cash Receipts</i>	<u>34,633</u>	<u>32,402</u>	<u>67,035</u>
Cash Disbursements:			
Salaries	0	17,859	17,859
Contractual Services	33,502	0	33,502
Retirement	0	2,957	2,957
Medicare	0	218	218
Workers Compensation	0	791	791
Other	0	3,437	3,437
<i>Total Cash Disbursements</i>	<u>33,502</u>	<u>25,262</u>	<u>58,764</u>
<i>Net Change in Fund Cash Balances</i>	1,131	7,140	8,271
<i>Fund Cash Balances, January 1</i>	<u>18,322</u>	<u>23,019</u>	<u>41,341</u>
Fund Cash Balances, December 31:			
Restricted	0	30,159	30,159
Assigned	6,817	0	6,817
Unassigned (Deficit)	12,636	0	12,636
<i>Fund Cash Balances, December 31</i>	<u><u>\$19,453</u></u>	<u><u>\$30,159</u></u>	<u><u>\$49,612</u></u>

The notes to the financial statements are an integral part of this statement.

**FAMILY AND CHILDREN FIRST COUNCIL
MORGAN COUNTY, OHIO**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Intergovernmental	\$39,973	\$31,316	\$71,289
<i>Total Cash Receipts</i>	<u>39,973</u>	<u>31,316</u>	<u>71,289</u>
Cash Disbursements:			
Salaries	0	53,085	53,085
Contractual Services	36,655	0	36,655
Retirement	0	5,705	5,705
Medicare	0	549	549
Workers Compensation	0	1,040	1,040
Supplies and Materials	0	4,799	4,799
<i>Total Cash Disbursements</i>	<u>36,655</u>	<u>65,178</u>	<u>101,833</u>
<i>Net Change in Fund Cash Balances</i>	3,318	(33,862)	(30,544)
<i>Fund Cash Balances, January 1</i>	<u>15,004</u>	<u>56,881</u>	<u>71,885</u>
Fund Cash Balances, December 31:			
Restricted	0	23,019	23,019
Assigned	8,000	0	8,000
Unassigned (Deficit)	10,322	0	10,322
<i>Fund Cash Balances, December 31</i>	<u><u>\$18,322</u></u>	<u><u>\$23,019</u></u>	<u><u>\$41,341</u></u>

The notes to the financial statements are an integral part of this statement.

**FAMILY AND CHILDREN FIRST COUNCIL
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

1. Reporting Entity/Summary of Significant Accounting Policies

A. Description of the Entity

Ohio Revised Code § 121.37 created the Ohio Family and Children First Cabinet Council and required each Board of County Commissioners to establish a County Family and Children First Council. Statutory membership of County Council consists of the following individuals:

- a. At least three individuals representing the interest of families in the County. Where possible, the number of members representing families shall be equal to twenty percent of the Council's remaining membership;
- b. The Director of the Board of Alcohol, Drug Addiction, and Mental Health Services that serves the County, or, in the case of a County that has a Board of Alcohol and Drug Addiction Services and a Community Mental Health Board, the Directors of both Boards. If a Board of Alcohol, Drug Addition, and Mental Health Services covers more than one County, the Director may designate a person to participate on the County's Council;
- c. The Health Commissioner, or the Commissioner's designee, of the Board of Health of each City or General Health District in the County. If the County has two or more health districts, the Health Commissioner membership may be limited to the Commissioners of the two districts with the largest populations;
- d. The Director of the County Department of Job and Family Services;
- e. The Executive Director of the public children services agency or the County agency responsible for the administration of children services pursuant to the Ohio Revised Code § 5153.15;
- f. The Superintendent of the County Board of Developmental Disabilities or if the Superintendent serves as Superintendent as more than one County Board of Developmental Disabilities, the Superintendent's designee;
- g. The Superintendent of the city, exempted village, or local school district with the largest number of pupils residing in the County, as determined by the Ohio Department of Education, which shall notify each County of its determination at least biennially;
- h. A School Superintendent representing all other school districts with territory in the County, as designated at a biennial meeting of the superintendents of those districts;
- i. A representative of the municipal corporation with the largest population in the County;
- j. The President of the Board of County Commissioners or an individual designated by the Board;
- k. A representative of the regional office of the Ohio Department of Youth Services;
- l. A representative of the County's Head Start agencies, as defined in Ohio Revised Code § 3301.32;
- m. A representative of the County's Early Intervention collaborative established pursuant to the federal early intervention program operated under the "Individuals with Disabilities Education Act of 2004"; and

**FAMILY AND CHILDREN FIRST COUNCIL
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

1. Reporting Entity/Summary of Significant Accounting Policies (Continued)

A. Description of the Entity (Continued)

- n. A representative of a local nonprofit entity that funds, advocates, or provides services to children and families.

A County Family and Children First Council may invite any other local public or private agency or group that funds, advocates, or provides services to children to have a representative become a permanent or temporary member of the Council.

The purpose of the County Council is to streamline and coordinate existing government services for families seeking services for their children. In seeking to fulfill its purpose, a County Council shall provide for the following:

- a. Referrals to the Cabinet Council of those children for whom the County Council cannot provide adequate services;
- b. Development and implementation of a process that annually evaluates and prioritizes services, fills service gaps where possible, and invents new approaches to achieve better results for families and children;
- c. Participation in the development of a countywide, comprehensive, coordinated, multi-disciplinary interagency system for infants and toddlers with developmental disabilities or delays and their families, as established pursuant to federal grants received and administered by the Department of Health for early intervention services under the "Individuals with Disabilities Education Act of 2004";
- d. Maintenance of an accountability system to monitor the County Council's progress in achieving results for families and children; and
- e. Establishment of a mechanism to ensure ongoing input from a broad representation of families who are receiving services within the County system.

B. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Council consists of all funds, departments, and activities that are not legally separate from the Council. They comprise the Council's legal entity which provides services including human, social, health and education to families and children.

Component units are legally separate organizations for which the Council is financially accountable. The Council is financially accountable for an organization if the Council appoints a voting majority of the organization's governing board and (1) the Council is able to significantly influence the programs or services performed or provided by the organization; or (2) the Council is legally entitled to or can otherwise access the organization's resources; the Council is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Council is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Council in that the Council approves the budget, the issuance of debt, or the levying of taxes. The Council has no component units.

**FAMILY AND CHILDREN FIRST COUNCIL
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

1. Reporting Entity/Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

The Council's management believes these financial statements present all activities for which the Council is financially accountable.

C. Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

D. Fund Accounting

The Council uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Council classifies its funds into the following types:

General Fund – The General Fund is the operating fund of the Council. It is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds – These funds are used to account for and report specific sources (other than from trusts or for capital projects) that are restricted or committed to expenditure for specified purposes. The Council had the following significant Special Revenue Fund:

Help Me Grow Grant Fund – This fund receives state and federal grant monies restricted for the purpose of the grant provisions.

E. Administrative/Fiscal Agent

Ohio Revised Code § 121.37(B)(5)(a) requires the Council to select an administrative agent to provide fiscal and administrative services to the Council. The Morgan County General Health District served as the administrative agent for the Council until June 30, 2013. As of July 1, 2013, the Council has selected the Morgan County Board of Developmental Disabilities as the administrative agent. The Council authorizes the Morgan County Board of Developmental Disabilities, as administrative agent, to subcontract with, designate, and/or seek assistance from any agencies and/or organizations that it deems necessary in order to complete the obligations set forth in the agreement.

The Council authorizes the Morgan County Auditor as fiscal agent. The Morgan County Auditor agrees to be ultimately responsible for fulfilling the fiscal obligations of the agreement.

**FAMILY AND CHILDREN FIRST COUNCIL
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

1. Reporting Entity/Summary of Significant Accounting Policies (Continued)

F. Budgetary Process

A Family and Children First Council established under Ohio Revised Code § 121.37 is not a taxing authority and is not subject to Ohio Revised Code Chapter 5705. As of October 1, 1997, all Family and Children First Councils are required to file an annual budget with its administrative agent. The Council filed an estimate of financial resources and an appropriation measure with the Morgan County Auditor.

A summary of 2014 and 2013 budgetary activity appears in Note 2.

G. Cash and Investments

The Council designated the Morgan County Auditor as the fiscal agent for all funds received in the name of the Council. Deposits of monies are made with the Morgan County Treasurer and fund expenditures and balances are reported through the Morgan County Auditor. Deposits and investments are made in accordance with the Ohio Revised Code and are valued at the fiscal agent's carrying amount.

H. Property, Plant and Equipment

The Council records cash disbursements for acquisitions of property, plant and equipment when paid. These items are not reflected as assets in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as leaving employment or retirement, employees are entitled to cash payouts for unused leave. The financial statements do not include a liability for unpaid leave.

J. Fund Balance

Fund balance is divided into three classifications based primarily on the extent to which the Council must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Restricted – Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts in the assigned fund balance classification are intended to be used by Council for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the Council, which includes giving the administrative/fiscal agent the authority to constrain monies for intended purposes.

**FAMILY AND CHILDREN FIRST COUNCIL
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

1. Reporting Entity/Summary of Significant Accounting Policies (Continued)

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from the overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Council applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

2. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$24,504	\$34,633	\$10,129
Special Revenue	35,555	32,402	(3,153)
Total	\$60,059	\$67,035	\$6,976

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$30,252	\$33,502	(\$3,250)
Special Revenue	59,555	25,262	34,293
Total	\$89,807	\$58,764	\$31,043

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,504	\$39,973	(\$24,531)
Special Revenue	45,240	31,316	(13,924)
Total	\$109,744	\$71,289	(\$38,455)

20BB Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$74,504	\$36,655	\$37,849
Special Revenue	113,778	65,178	48,600
Total	\$188,282	\$101,833	\$86,449

**FAMILY AND CHILDREN FIRST COUNCIL
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

3. Equity in Pooled Cash and Investments

Morgan County, as fiscal agent for the Council, maintains a cash and investments pool used by all of the Morgan County funds, including those of the Council. The Ohio Revised Code prescribes allowable deposits and investments and the Morgan County Treasurer is responsible for compliance. The carrying amount of deposits with the County at December 31, 2014 and December 31, 2013 was \$49,612 and \$41,341, respectively.

The fiscal agent is responsible for maintaining adequate depository collateral for all funds in the fiscal agent's pooled and deposit accounts. All risks associated with the above deposits are the responsibility of the fiscal agent.

4. Retirement System

The Council participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions. Plan members are required to contribute 10 percent of their annual covered salary and the Council is required to contribute 14 percent of annual covered payroll. The Council has paid all contributions required through December 31, 2014.

5. Risk Management

The Council is insured for general liability and casualty through Morgan County.

6. Contingent Liabilities

Amounts grantor agencies pay to the Council are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Family and Children First Council
Morgan County
900 South Riverside Drive
McConnelsville, Ohio 43756

To the Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Family and Children First Council, Morgan County, Ohio, (the Council) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated January 21, 2016, wherein we noted the Council followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Council's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Council's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider Finding 2014-003 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Council's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2014-001 through 2014-003.

Entity's Response to Findings

The Council's responses to the Findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Council's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

January 21, 2016

**FAMILY AND CHILDREN FIRST COUNCIL
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-001

Noncompliance Citation and Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

In addition, the Subsidy Agreement between the Ohio Department of Health and the Morgan County General Health District provides that any unspent funds remaining at the end of the fiscal year (June 30, 2013) must be spent on Help Me Grow Activities.

Effective July 1, 2013, the Morgan County Board of Developmental Disabilities became the Administrative Agent for the Family and Children First Council; however, the Morgan County General Health District continued to expend Help Me Grow GRF funds on payroll-related costs subsequent to June 30, 2013 as follows:

- Salaries - \$6,762
- Retirement - \$947
- Medicare - \$97
- Unemployment - \$3,065

Under Ohio Law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code §9.39; *State, ex.re. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, or lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

Board President, Michael Huck, authorized the improper payments. Accordingly, Michael Huck and his bonding company, the Ohio Plan, will be jointly and severally liable in the amount of \$10,871, and in favor of the Morgan County Family and Children First Council's Help Me Grow GRF Fund (022).

In accordance with the foregoing facts, and pursuant to Ohio Revised Code § 117.28, a finding for recovery for public monies illegally expended is hereby issued against the Morgan County General Health District General Fund for \$10,871 and in favor of the Morgan County Family and Children First Council's Help Me Grow GRF Fund (022).

Official's Response: The Morgan County Family and Children First Council will work cooperatively with the Morgan County Auditor to ensure compliance with this finding once the final audit report is received.

**FAMILY AND CHILDREN FIRST COUNCIL
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-002

Noncompliance Citation

Ohio Rev. Code § 5705.10 provides, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Ohio Rev. Code § 5705.10(l) also provides that money paid into a fund must be used only for the purposes for which such fund has been established.

During the period January 1, 2013 through June 30, 2013, the Morgan County General Health District was the Administrator for the Family and Children First Council using funds 073 (Help Me Grow GRF), 080 (Family & Children First Council), and 082 (Part C Help Me Grow). Effective July 1, 2013, the Morgan County Board of Developmental Disabilities became the Administrator for the Family and Children First Council and established new funds 022 (Help Me Grow GRF), 020 (Family & Children First Council), and 019 (Part C Help Me Grow); however, balances from the old funds were never transferred to the new funds established by the Morgan County Developmental Disabilities.

At December 31, 2013, the unencumbered balances remaining in the funds previously administered by the Morgan County General Health District are as follows:

Fund	Balance at 12/31/13
073 Help Me Grow GRF	\$ 19,504
080 Family and Children First Council	4,998

These balances should be transferred to the corresponding new funds being administered by the Morgan County Board of Developmental Disabilities.

Official's Response: The Morgan County Family and Children First Council will work cooperatively with the Morgan County Auditor to ensure compliance with this finding once the final audit report is received.

FINDING NUMBER 2014-003

Noncompliance Citation and Material Weakness

Ohio Admin. Code § 117-2-02(A) provides that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code § 117-2-03.

During 2013, the Fiscal Officer incorrectly classified Help Me Grow GRF (073) disbursements in the amount of \$37,858 as Contractual Services instead of Salaries (\$27,876), Retirement (\$3,906), Medicare (\$406), Workers Compensation (\$1,040), and Other (\$4,630) on the financial statements. In addition, the Fiscal Officer incorrectly classified Help Me Grown Part C (082) disbursements in the amount of \$12,320 as Contractual Services instead of Salaries (\$10,208), Retirement (\$1,799), Medicare (\$143), and Other (\$170) on the financial statements.

**FAMILY AND CHILDREN FIRST COUNCIL
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2014-003
(Continued)**

Noncompliance Citation and Material Weakness - Ohio Admin. Code § 117-2-02(A) (Continued)

During 2014, the Fiscal Officer incorrectly classified Help Me Grow GRF (073) disbursements in the amount of \$825 as Contractual Services instead of Salaries (\$240), Retirement (\$67), Medicare (\$4), and Workers Compensation (\$514). In addition, the Fiscal Officer incorrectly classified \$1,817 of the Family and Children First (020) fund balance as Unassigned instead of Assigned.

These reclassification errors were due to a lack of management oversight. These significant reclassifications, with which management agrees, were posted to the financial statements of the Council.

The Fiscal Officer should take additional care in classifying transactions on the Council's financial statements in order to ensure the Council's year-end financial statements reflect the appropriate sources of the Council's expenditures.

Official's Response: When the Morgan County Board of Developmental Disabilities became the administrative agent for the Family and Children Council, they were not made aware of these requirements. The Morgan County Family and Children First Council will ensure future compliance with this requirement.

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Dave Yost • Auditor of State

MORGAN COUNTY FAMILY AND CHILDREN FIRST COUNCIL

MORGAN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 4, 2016**